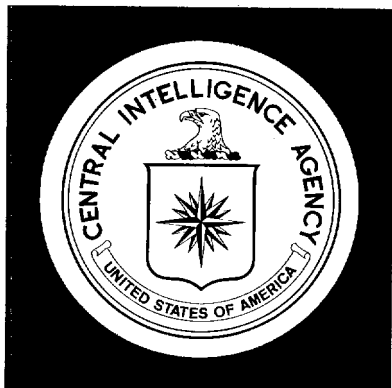


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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

State Department review completed

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31 October 1972

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25X1

31 October 1972

# *Central Intelligence Bulletin*

## CONTENTS

25X1

CANADA: Trudeau undecided whether to form new government. (Page 4)

WEST GERMANY: Bahr assesses prospects for treaty with East Germany. (Page 5)

25X1

25X1

25X1

Approved For Release 2003/10/22 : CIA-RDP79T00975A023100030002-0

Next 2 Page(s) In Document Exempt

Approved For Release 2003/10/22 : CIA-RDP79T00975A023100030002-0

**CANADA:** Prime Minister Trudeau is undecided whether he will try to form a government.

With all districts reporting, the Liberals won or were leading in 108, the Progressive Conservatives in 107, the New Democrats in 31, and the Social Credit in 16. When Parliament was dissolved in late August, the Liberals held 147 seats, the Conservatives 73, the New Democrats 25, and the Social Credit 13.

The election outcome was unexpected. The latest public opinion polls indicated that the Liberals were losing support but did not reflect the strength of the Conservatives. The main support for the Liberals comes from three provinces--Ontario, Quebec, and British Columbia. Although they were able to retain their power base in Quebec, the Liberals were hard hit in Ontario. In the 1968 election they won over 70 percent of the seats; this time they were able to carry only 40 percent. The Conservatives, on the other hand, won nearly half the seats in Ontario. The Liberals also lost support in British Columbia.

Although the election issues--including Trudeau and his personality--were varied, the focus seemed to be primarily on the economy. Overall, Trudeau's economic performance was good but sticky problems such as a rising unemployment rate and increasing consumer prices were attacked repeatedly by the Conservatives. Moreover, they also raised the issue of high unemployment compensation and welfare payments, which struck a responsive chord among the voters.

Trudeau would have great difficulty in governing even if his party held a slim margin. [REDACTED]

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[REDACTED] He could try to form a coalition government with the New Democratic Party but this would require him to pledge action on socio-economic legislation of interest to the New Democrats. [REDACTED]

25X1

31 Oct 72

Central Intelligence Bulletin

4

WEST GERMANY: State Secretary Egon Bahr believes this week's negotiations on an East-West German political treaty could result in a draft that he can recommend to the cabinet on 7 November.

Bahr admitted to the Allied ambassadors on 28 October that he and his East German counterpart, Michael Kohl, have failed to resolve their major differences. The East Germans have not changed their basic position and are unlikely to do so. Bahr, however, appeared encouraged by Kohl's statement that the East Germans will interpret one article as implicitly acknowledging the absence of a peace treaty. Bahr contends that the "peculiar" wording of the treaty will plainly reflect the special relationship existing between East and West Germany. He presumably will use this line of rationalization when he presents the treaty to the cabinet.

Bahr also informed the Western Allies that the West Germans would like the Four-Power declaration that is being negotiated with the Soviet Union to contain references to "Berlin and Germany as a whole" and to the fact that a peace treaty is still outstanding. He indicated that Bonn would accept less, but that the West Germans wish to have a quadripartite declaration completed before the cabinet meets. (As of yesterday the Soviets were still refusing to include in the declaration the references that Bonn wants. Another Four-Power negotiating session is scheduled for today.)

The cabinet's decision will be determined largely by its judgment of the effects of a draft treaty made essentially on East German terms on the governing parties' prospects in the election on 19 November. Some members of the Free Democratic Party oppose concluding such a treaty prior to the election on the grounds that it would expose the government to damaging charges that it had failed to uphold West Germany's fundamental interests.

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31 Oct 72

Central Intelligence Bulletin

5

25X1

Approved For Release 2003/10/22 : CIA-RDP79T00975A023100030002-0

Next 4 Page(s) In Document Exempt

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